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PSC BEGINS INVESTIGATION OF QWEST'S EARNINGS

The state Public Service Commission has begun an investigation into whether Qwest is earning more than is appropriate on its regulated services in Montana.

The PSC cited information submitted to the PSC by Qwest in its annual reports that indicates the company's revenues greatly exceed its PSC-authorized rate of return as the reason for the investigation. Qwest's authorized rate of return, established by the PSC as the result of a rate case in 1990, is 10.44 percent. Qwest's annual reports to the PSC show the company's rate of return has increased over the past few years, from 12.5 percent in 1999 to 21 percent – twice the authorized rate -- in 2001, which is the year covered in the most recent report.

The first step of the investigation will be for the PSC to verify the accuracy of the rate-of-return information submitted by Qwest. The PSC's next steps will be determined pending the outcome of that initial task.

According to PSC Chairman Bob Rowe, if the investigation does indicate an inappropriately high rate of return, the Commission could then go on to consider alternatives proposed by the Montana Consumer Counsel, Qwest or others. These could include rate adjustments, investments in service improvements or other options. Rowe stated, "I am particularly interested in service upgrades for Qwest's more rural customers, whether as an outcome of this proceeding or otherwise."

Qwest is the largest provider of local telephone service in Montana with 371,000 telephone access lines in the state.

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